

U.S. economic data from early 2021 shows support from fiscal stimulus. February data will be impacted by severe weather in Texas and many other states.

Texas, the nation's second largest state economy, represents about 10 percent of U.S. GDP. Loss of electricity, loss of water supply, impassable roads, commercial and residential flooding from burst pipes will all weigh on the state economy in Q1. However, the disastrous conditions will cost relatively few payroll jobs, and that will steady the state economy and the data despite the hardship that millions have endured. The disruption to Texas manufacturing facilities is causing supply chain problems. The chip shortage limiting U.S. auto production was worsened as Samsung's chip plant near Austin shut down.

Nominal retail sales surged by 5.3 percent in January, supported by the \$900 billion fiscal stimulus package that extended enhanced unemployment benefits and sent another round of direct payments to middle-to-lower income households. Much of the January jump in sales was focused in discretionary categories like autos, furniture and electronics. The severe winter weather enveloping much of the U.S. will tilt some consumer spending back away from discretionary items and toward utility payments over the next month.

U.S. industrial production climbed by 0.9 percent in January. Mining was the strongest sub-category, gaining 2.3 percent with increased oil field activity. Manufacturing output increased by 1.0 percent for the month, its fourth consecutive strong monthly gain. Vehicle assemblies eased to a 10.76 million unit pace in January. The shortage of microprocessors will constrain auto production in February. Utility output fell by 1.2 percent in January. That will come back in February.

Producer prices warmed up in January, as energy prices climbed. The headline Producer Price Index for Fi-

nal Demand surged by 1.3 percent for the month. Over the previous 12 months, headline PPI was up by 1.7 percent. The energy price sub-index was up by 5.1 percent in January, after a 4.9 percent gain in December. We will see another strong gain in wholesale energy prices in February. Core PPI (less food, energy and trade margins) increased by 1.2 percent in January with strong gains in the prices for services. Core PPI was up 2.0 percent over the previous 12 months. We expect to see larger year-over-year price gains in the months ahead reflecting both soft prices last spring and firming prices this spring.

Mortgage applications for purchase fell again, by 6.1 percent for the week of February 12, pointing to softer home sales in early 2021. Weather will be an issue for home sales in February. On a four-week moving average basis, purchase apps were still up by 14.6 percent over the same time last year. Refi apps fell by 4.7 percent for the week of February 12 and are down in four out of the last five reporting weeks. Refis were still up by 54.9 percent over the previous year. The rate for a 30-year fixed rate mortgage inched up to 2.98 percent.

Housing starts fell 6.0 percent in January, to a 1,580,000 unit annual rate. Single-family starts fell 12.2 percent to a 1,162,000 unit annual rate, still well above the 2020 average rate. Multifamily starts surged by 17.1 percent in January to a 418,000 unit rate. Total residential building permits increased by 10.4 percent to a very strong 1,881,000 unit rate as multi-family permits jumped. February starts will be impacted by weather.

Initial claims for unemployment insurance increased by 13,000 for the week ending February 13, to hit 861,000. Continuing claims fell by 64,000 for the week ending February 6, to hit 4,494,000. The total number of claims for all programs fell by 1.3 million for the week ending January 30, to hit 18.3 million.

Fed Funds Rate

Fed Funds Rate (Effective): After FOMC Meeting of 3/16-3/17

We expect the Federal Reserve to keep the fed funds rate range unchanged near zero at the next Federal Open Market Committee meeting over March 16/17.

The Week Ahead

January Leading Indicators (2/22, Monday)

The Conference Board's Leading Index increased by 0.3 percent in December. Up by 0.4 percent in January. Consensus: +0.3 percent

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The Week Ahead, Continued

December Case-Shiller U.S. National Home Price Index (2/23, Tuesday)

The November Case-Shiller U.S. National Home Price Index increased by 9.49 percent year-over-year. Increasing in December to 9.6 percent over the previous 12 months. Consensus: n/a

January New Home Sales (2/24, Wednesday)

New home sales increased to a 842k unit annual rate in December. Unchanged in January. Mortgage applications for purchase have leveled out. Consensus: 860k unit annual rate

January Advance Durable Goods (2/25, Thursday)

New orders for durable goods increased by 0.5 percent in December. Up in January by 1.0 percent. The ISM Manufacturing Survey showed new orders rose for the month. Consensus: +1.3 percent

2020Q4 GDP, 2nd Estimate (2/25, Thursday)

Real GDP increased at a 4.0 percent annualized rate according to the first estimate for 2020Q4. Up in the second estimate for 2020Q4 real GDP at a 4.3 percent annualized rate. Consensus: +4.3 percent

2020Q4 GDP Price Index, 2nd Estimate (2/25, Thursday)

The GDP Price Index increased at a 2.0 percent annualized rate in the first estimate for 2020Q4. Unchanged at a 2.0 percent annualized rate in the second estimate of 2020Q4. Consensus: n/a

January Personal Income (2/26, Friday)

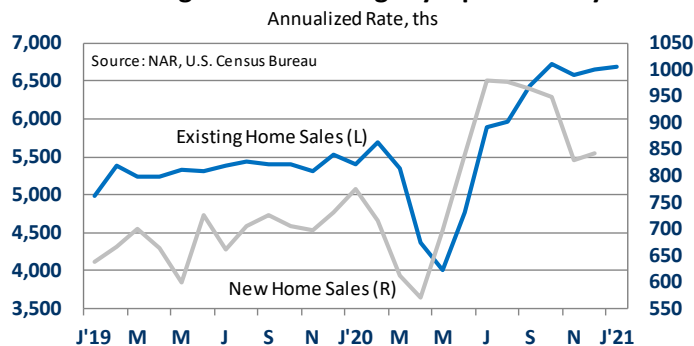
Nominal personal income increased by 0.6 percent in December. Up by 9.5 percent in January. Enhanced and extended federal unemployment benefits and direct payments to households will boost incomes. Consensus: +9.7 percent

January Personal Spending (2/26, Friday)

Nominal personal spending decreased by 0.2 percent in December. Up by 1.5 percent in January. Nominal retail sales rose by 5.3 percent for the month. Consensus: +0.5 percent

Chart of the Week

Existing Home Sales Slightly Up in January



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